

New Lending Guidelines - Don't Blow Your Deal!

New FNMA Policy

Fannie Mae has implemented a new policy that is very important. Since most lenders use FNMA's guidelines this is an important change to be aware of.

As of June 1, 2011, lenders are responsible for certifying the borrower's monthly obligations have not increased from the time of the initial credit report through the closing date. This is effective for new conventional applications only and is not applicable for VA, FHA or Rural Development loans at this time. However, they could follow suit. <http://www.kentkirkpatrick.com/http://www.kentkirkpatrick.com/>

For Fannie Mae, the goal is to reduce the number of loans that default because of new, non-disclosed debt. Lenders have the freedom to verify in whatever manner they wish, but in most cases, the verification process will amount to a credit re-pull made just prior to closing. A credit report will be pulled at the beginning of the application and will also be pulled 5 days prior to closing.

What does this mean for the conventional borrower? It means that you absolutely should not take out any additional credit or even have an inquiry into your credit report from the time you start the loan application until after you close.

Tips to Avoid Last Minute Issues **DON'T:**

- Take out any new credit during your loan application – wait until your loan has closed • This means no furniture shopping, new window treatments and especially no “Buy now –Pay later” type of financing • Use your line-of-credit to purchase anything
- Make any large purchases using your credit cards
- Co-sign on a loan for anyone else
- Pay for the mover upfront – ask to be billed later
- Go car shopping even if not ready to buy yet – the dealer may pull your credit that will result in an additional inquiry
- Add to your current debt load as of application time until after closing
- Pay late on any obligation...

DO:

- Create paper trails for all deposits into your asset accounts
- Be prepared to write letters of explanations for anything out of the ordinary, e.g.: -For inquiries into your credit report – for any reason – over the last 90 days -For any derogatory credit issues -For any employment gaps • Speak with your loan officer if you have any questions regarding any of this information